

**REPORT OF THE AUDIT OF THE
HARRISON COUNTY
FISCAL COURT**

**For The Fiscal Year Ended
June 30, 2009**



**CRIT LUALLEN
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EXECUTIVE SUMMARY

AUDIT EXAMINATION OF THE HARRISON COUNTY FISCAL COURT

June 30, 2009

The Auditor of Public Accounts has completed the audit of the Harrison County Fiscal Court for fiscal year ended June 30, 2009. We have issued unqualified opinions on the governmental activities and each major fund.

Financial Condition:

The Fiscal Court had net assets of \$12,317,028 as of June 30, 2009. The Fiscal Court had unrestricted net assets of \$2,100,214 in its governmental activities as of June 30, 2009. The Fiscal Court had total debt principal as of June 30, 2009 of \$4,813,452 with \$277,513 due within the next year.

Deposits:

The fiscal court's deposits were fully insured and collateralized by bank securities.

<u>CONTENTS</u>	PAGE
INDEPENDENT AUDITOR’S REPORT.....	1
HARRISON COUNTY OFFICIALS	3
STATEMENT OF NET ASSETS - MODIFIED CASH BASIS.....	7
STATEMENT OF ACTIVITIES - MODIFIED CASH BASIS	10
BALANCE SHEET - GOVERNMENTAL FUNDS - MODIFIED CASH BASIS	14
STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCES - GOVERNMENTAL FUNDS - MODIFIED CASH BASIS	18
RECONCILIATION OF THE STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCES OF GOVERNMENTAL FUNDS TO THE STATEMENT OF ACTIVITIES - MODIFIED CASH BASIS	23
NOTES TO FINANCIAL STATEMENTS.....	25
BUDGETARY COMPARISON SCHEDULES	39
NOTES TO REQUIRED SUPPLEMENTARY INFORMATION	46
REPORT ON INTERNAL CONTROL OVER FINANCIAL REPORTING AND ON COMPLIANCE AND OTHER MATTERS BASED ON AN AUDIT OF FINANCIAL STATEMENTS PERFORMED IN ACCORDANCE WITH GOVERNMENT AUDITING STANDARDS	49



CRIT LUALLEN
AUDITOR OF PUBLIC ACCOUNTS

To the People of Kentucky
Honorable Steven L. Beshear, Governor
Jonathan Miller, Secretary
Finance and Administration Cabinet
Honorable Alexander Barnett, Harrison County Judge/Executive
Members of the Harrison County Fiscal Court

Independent Auditor's Report

We have audited the accompanying financial statements of the governmental activities and each major fund of Harrison County, Kentucky, as of and for the year ended June 30, 2009, which collectively comprise the County's basic financial statements, as listed in the table of contents. These financial statements are the responsibility of the Harrison County Fiscal Court. Our responsibility is to express opinions on these financial statements based on our audit.

We conducted our audit in accordance with auditing standards generally accepted in the United States of America, the standards applicable to financial audits contained in Government Auditing Standards issued by the Comptroller General of the United States, and the Audit Guide for Fiscal Court Audits issued by the Auditor of Public Accounts, Commonwealth of Kentucky. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audit provides a reasonable basis for our opinions.

As described in Note 1, Harrison County, Kentucky, prepares its financial statements in accordance with the modified cash basis, which is a comprehensive basis of accounting other than accounting principles generally accepted in the United States of America.

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities and each major fund of Harrison County, Kentucky, as of June 30, 2009, and the respective changes in financial position, thereof for the year then ended in conformity with the basis of accounting described in Note 1.

The County has not presented the management's discussion and analysis that the Governmental Accounting Standards Board (GASB) has determined is necessary to supplement, although not required to be part of, the basic financial statements. The budgetary comparison information is not a required part of the basic financial statements but is supplementary information required by GASB. We have applied certain limited procedures, which consisted principally of inquiries of management regarding the methods of measurement and presentation of the required supplementary information. However, we did not audit the information and express no opinion on it.



To the People of Kentucky
Honorable Steven L. Beshear, Governor
Jonathan Miller, Secretary
Finance and Administration Cabinet
Honorable Alexander Barnett, Harrison County Judge/Executive
Members of the Harrison County Fiscal Court

In accordance with Government Auditing Standards, we have also issued our report dated March 31, 2010, on our consideration of Harrison County, Kentucky's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with Government Auditing Standards and should be considered in assessing the results of our audit.

Respectfully submitted,

A handwritten signature in black ink, appearing to read "Crit Luallen", with a long horizontal flourish extending to the right.

Crit Luallen
Auditor of Public Accounts

March 31, 2010

HARRISON COUNTY OFFICIALS

For The Year Ended June 30, 2009

Fiscal Court Members:

Alexander Barnett	County Judge/Executive
Deborah Lemons	Magistrate
Stephen Moses	Magistrate
Brad Marshall	Magistrate
Jerry Dawson	Magistrate
Jeff Brunker	Magistrate
William Fritz	Magistrate
Dwayne Florence	Magistrate
Bradley Copes	Magistrate

Other Elected Officials:

Charles W. Kuster, Jr.	County Attorney
Willard L. Turner	Jailer
Linda Furnish	County Clerk
Wanda Marsh	Circuit Court Clerk
Bruce Hampton	Sheriff
Carla Harney	Property Valuation Administrator
Tom Ware	Coroner

Appointed Personnel:

Candida Wilson	County Treasurer
Judy A. Smith	Finance Officer
Melody Wright	Occupational Tax Collector

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HARRISON COUNTY
STATEMENT OF NET ASSETS - MODIFIED CASH BASIS

June 30, 2009

HARRISON COUNTY
STATEMENT OF NET ASSETS - MODIFIED CASH BASIS

June 30, 2009

	<u>Primary Government</u>
	<u>Governmental</u>
	<u>Activities</u>
ASSETS	
Current Assets:	
Cash and Cash Equivalents	\$ 2,100,214
Notes Receivable	17,513
Assets Held For Resale	<u>208,360</u>
Total Current Assets	<u>2,326,087</u>
Noncurrent Assets:	
Notes Receivable	59,969
Capital Assets - Net of Accumulated Depreciation	
Land and Land Improvements	488,500
Buildings	5,559,067
Land Improvements	94,375
Other Equipment	558,748
Vehicles and Equipment	612,865
Infrastructure	<u>7,430,869</u>
Total Noncurrent Assets	<u>14,804,393</u>
Total Assets	<u>17,130,480</u>
LIABILITIES	
Current Liabilities:	
Revenue Bonds Payable	260,000
Financing Obligations Payable	<u>17,513</u>
Total Current Liabilities	<u>277,513</u>
Noncurrent Liabilities:	
Revenue Bonds Payable	4,270,000
Financing Obligations Payable	<u>265,939</u>
Total Noncurrent Liabilities	<u>4,535,939</u>
Total Liabilities	<u>4,813,452</u>
NET ASSETS	
Invested in Capital Assets,	
Net of Related Debt	10,216,814
Unrestricted	<u>2,100,214</u>
Total Net Assets	<u><u>\$ 12,317,028</u></u>

The accompanying notes are an integral part of the financial statements.

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HARRISON COUNTY
STATEMENT OF ACTIVITIES - MODIFIED CASH BASIS
For The Year Ended June 30, 2009

HARRISON COUNTY
STATEMENT OF ACTIVITIES - MODIFIED CASH BASIS

For The Year Ended June 30, 2009

Functions/Programs	Expenses	Program Revenues Received		
		Charges for Services	Operating Grants and Contributions	Capital Grants and Contributions
Primary Government:				
Governmental Activities:				
General Government	\$ 1,862,152	\$ 12,250	\$ 407,474	\$
Protection to Persons and Property	1,305,146	5,978	208,032	13,983
General Health and Sanitation	343,740	17,266	1,500	
Social Services	98,376		13,914	
Recreation and Culture	130,156			
Roads	1,466,898	33,329	1,111,472	
Airports	10,000			
Bus Service	11,707		9,352	
Transportation Facilities and Services	2,000			
Interest on Long-term Debt	226,727		220,363	
Capital Projects	275,385			
Total Governmental Activities	<u>\$ 5,732,287</u>	<u>\$ 68,823</u>	<u>\$ 1,972,107</u>	<u>\$ 13,983</u>

General Revenues:

Taxes:
 Real Property Taxes
 Personal Property Taxes
 Motor Vehicle Taxes
 Occupational Taxes
 Net Profits Taxes
 Other Taxes
 Excess Fees
 Enhanced 911 Fees
 Investment Earnings
 Miscellaneous Revenues

 Total General Revenues
 Change in Net Assets
 Net Assets - Beginning

 Net Assets - Ending

The accompanying notes are an integral part of the financial statements.

HARRISON COUNTY
STATEMENT OF ACTIVITIES - MODIFIED CASH BASIS
For The Year Ended June 30, 2009
(Continued)

Net (Expenses)
Revenues and Changes
in Net Assets
Primary Government

Governmental
Activities

\$ (1,442,428)
 (1,077,153)
 (324,974)
 (84,462)
 (130,156)
 (322,097)
 (10,000)
 (2,355)
 (2,000)
 (6,364)
(275,385)
(3,677,374)

702,619
 57,885
 143,862
 2,368,023
 357,739
 167,206
 66,286
 328,107
 47,550
430,203
4,669,480
 992,106
11,324,922
\$ 12,317,028

The accompanying notes are an integral part of the financial statements.

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HARRISON COUNTY
BALANCE SHEET - GOVERNMENTAL FUNDS - MODIFIED CASH BASIS

June 30, 2009

HARRISON COUNTY
BALANCE SHEET - GOVERNMENTAL FUNDS - MODIFIED CASH BASIS

June 30, 2009

	General Fund	Road Fund	Jail Fund	Local Government Economic Assistance Fund
ASSETS				
Cash and Cash Equivalents	\$ 1,578,022	\$ 51,533	\$ 14,310	\$ 16
Total Assets	<u>1,578,022</u>	<u>51,533</u>	<u>14,310</u>	<u>16</u>
FUND BALANCES				
Reserved for:				
Encumbrances	8,236	1,719	38	
Unreserved:				
General Fund	1,569,786			
Special Revenue Funds		49,814	14,272	16
Debt Service Fund				
Total Fund Balances	<u>\$ 1,578,022</u>	<u>\$ 51,533</u>	<u>\$ 14,310</u>	<u>\$ 16</u>

The accompanying notes are an integral part of the financial statements.

HARRISON COUNTY
BALANCE SHEET - GOVERNMENTAL FUNDS - MODIFIED CASH BASIS
June 30, 2009
(Continued)

Federal Grants Fund	E-911 Fund	Shropshire Fund	Public Properties Corporation Fund	Total Governmental Funds
\$ 21,067	\$ 181,398	\$ 237,690	\$ 16,178	\$ 2,100,214
21,067	181,398	237,690	16,178	2,100,214
	185	477		10,655
				1,569,786
21,067	181,213	237,213		503,595
			16,178	16,178
\$ 21,067	\$ 181,398	\$ 237,690	\$ 16,178	\$ 2,100,214

Reconciliation Of The Balance Sheet - Governmental Funds To The Statement Of Net Assets:

Total Fund Balances	\$ 2,100,214
Amounts Reported For Governmental Activities in the Statement of Net Assets Are Different Because:	
Notes Receivable - Amount Due from Sub-lessee, However Paid Directly to Lessor by Sub-lessee, Therefore Not Available as Funds to the County and Not an Asset in the Governmental Funds.	77,482
Capital Assets Used in Governmental Activities Are Not Financial Resources and Therefore Are Not Reported in the Funds.	26,928,091
Accumulated Depreciation	(12,183,667)
Assets Purchased and Held For Resale	208,360
Long-term Debt Is Not Due and Payable in the Current Period and, Therefore, Is Not Reported in the Funds.	
Financing Obligations	(283,452)
Bonds	(4,530,000)
Net Assets Of Governmental Activities	\$ 12,317,028

The accompanying notes are an integral part of the financial statements.

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HARRISON COUNTY
STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES
IN FUND BALANCES - GOVERNMENTAL FUNDS - MODIFIED CASH BASIS

For The Year Ended June 30, 2009

HARRISON COUNTY
STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES
IN FUND BALANCES - GOVERNMENTAL FUNDS - MODIFIED CASH BASIS

For The Year Ended June 30, 2009

	General Fund	Road Fund	Jail Fund	Local Government Economic Assistance Fund
REVENUES				
Taxes	\$ 3,797,334	\$	\$	\$
In Lieu Tax Payments	3,768			
Excess Fees	66,286			
Licenses and Permits	12,250			
Intergovernmental	383,742	1,111,472	94,889	
Charges for Services			3,344	
Miscellaneous	80,755	47,729	2,104	
Interest	34,095	1,760		
Total Revenues	<u>4,378,230</u>	<u>1,160,961</u>	<u>100,337</u>	
EXPENDITURES				
General Government	1,223,834			
Protection to Persons and Property	304,073		383,594	
General Health and Sanitation	297,788			
Social Services	121,376			
Recreation and Culture	156,643			
Roads		1,970,543		
Airports	10,000			
Bus Service	11,707			
Other Transportation Facilities and Services	2,000			
Debt Service	13,914	7,254		
Capital Projects	10,453	264,932		
Administration	605,146	269,589	35,636	
Total Expenditures	<u>2,756,934</u>	<u>2,512,318</u>	<u>419,230</u>	
Excess (Deficiency) of Revenues Over Expenditures Before Other Financing Sources (Uses)	<u>1,621,296</u>	<u>(1,351,357)</u>	<u>(318,893)</u>	
Other Financing Sources (Uses)				
Financing Obligations	23,000	208,360		
Transfers From Other Funds	18,815	1,171,315	320,000	
Transfers To Other Funds	(1,531,687)			
Total Other Financing Sources (Uses)	<u>(1,489,872)</u>	<u>1,379,675</u>	<u>320,000</u>	
Net Change in Fund Balances	131,424	28,318	1,107	
Fund Balances - Beginning	1,446,598	23,215	13,203	16
Fund Balances - Ending	<u>\$ 1,578,022</u>	<u>\$ 51,533</u>	<u>\$ 14,310</u>	<u>\$ 16</u>

The accompanying notes are an integral part of the financial statements.

HARRISON COUNTY
STATEMENT OF REVENUES, EXPENDITURES,
AND CHANGES IN FUND BALANCES - GOVERNMENTAL FUNDS - MODIFIED CASH BASIS
For The Year Ended June 30, 2009
(Continued)

Federal Grants Fund	E-911 Fund	Shropshire Fund	Public Properties Corporation Fund	Total Governmental Funds
\$	\$ 328,107	\$	\$	\$ 4,125,441
				3,768
				66,286
		3,602		15,852
71,272	115,777	1,500	471,863	2,250,515
		13,664		17,008
	66,560	825		197,973
	1,907	9,727	61	47,550
<u>71,272</u>	<u>512,351</u>	<u>29,318</u>	<u>471,924</u>	<u>6,724,393</u>
				1,223,834
4,035	519,127			1,210,829
17,356		27,061		342,205
				121,376
				156,643
				1,970,543
				10,000
				11,707
				2,000
			471,863	493,031
				275,385
645				911,016
<u>22,036</u>	<u>519,127</u>	<u>27,061</u>	<u>471,863</u>	<u>6,728,569</u>
<u>49,236</u>	<u>(6,776)</u>	<u>2,257</u>	<u>61</u>	<u>(4,176)</u>
				231,360
	71,687			1,581,817
<u>(50,130)</u>				<u>(1,581,817)</u>
<u>(50,130)</u>	<u>71,687</u>			<u>231,360</u>
(894)	64,911	2,257	61	227,184
21,961	116,487	235,433	16,117	1,873,030
<u>\$ 21,067</u>	<u>\$ 181,398</u>	<u>\$ 237,690</u>	<u>\$ 16,178</u>	<u>\$ 2,100,214</u>

The accompanying notes are an integral part of the financial statements.

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**HARRISON COUNTY
RECONCILIATION OF THE STATEMENT OF REVENUES,
EXPENDITURES, AND CHANGES IN FUND BALANCES OF
GOVERNMENTAL FUNDS TO THE STATEMENT OF ACTIVITIES - MODIFIED CASH BASIS**

For The Year Ended June 30, 2009

HARRISON COUNTY
RECONCILIATION OF THE STATEMENT OF REVENUES,
EXPENDITURES, AND CHANGES IN FUND BALANCES OF
GOVERNMENTAL FUNDS TO THE STATEMENT OF ACTIVITIES - MODIFIED CASH BASIS

For The Year Ended June 30, 2009

Net Change in Fund Balances - Total Governmental Funds	\$ 227,184
Amounts Reported for Governmental Activities in the Statement of Activities are Different Because:	
Contribution from the Community Action Council for On-behalf Payment Made to Reduce Debt Incurred by The County for The Community Service Building Renovation and also Reduces the Note Receivable Recorded in the Governmental Activities.	(12,883)
Contribution from the Senior Citizens Center for On-behalf Payment Made to Reduce Debt Incurred by The County for The Senior Citizens Center Vehicle and also Reduces the Note Receivable Recorded in the Governmental Activities.	(1,031)
Governmental Funds Report Capital Outlays as Expenditures. However, in the Statement of Activities the Cost of Those Assets is Allocated Over Their Estimated Useful Lives and Reported as Depreciation Expense.	
Capital Outlay	1,481,696
Depreciation Expense	(967,564)
Assets Disposed Of, Net Book Value	(1,600)
Assets Purchased And Held For Resale	208,360
Asset Purchased for Senior Citizens Center	23,000
The Issuance of Long-term Debt Provides Current Financial Resources to Governmental Funds While the Repayment of Principal on Long-term Debt Consumes the Current Financial Resources of Governmental Funds. These Transactions, However, Have No Effect on Net Assets.	
Financing Obligations Proceeds	(231,360)
Financing Obligations Principal Payments	16,304
Bond Principal Payment	250,000
Change in Net Assets of Governmental Activities	<u>\$ 992,106</u>

The accompanying notes are an integral part of the financial statements.

**INDEX FOR NOTES
TO THE FINANCIAL STATEMENTS**

NOTE 1.	SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES	25
NOTE 2.	DEPOSITS	30
NOTE 3.	CAPITAL ASSETS	31
NOTE 4.	LONG-TERM DEBT	32
NOTE 5.	RELATED PARTY TRANSACTION	34
NOTE 6.	COMMITMENTS AND CONTINGENCIES	34
NOTE 7.	DEFERRED COMPENSATION	35
NOTE 8.	EMPLOYEE RETIREMENT SYSTEM	36
NOTE 9.	INSURANCE	36
NOTE 10.	ESTIMATED INFRASTRUCTURE HISTORICAL COST	36

HARRISON COUNTY
NOTES TO FINANCIAL STATEMENTS

June 30, 2009

Note 1. Summary of Significant Accounting Policies

A. Basis of Presentation

The county presents its government wide and fund financial statements in accordance with the a modified cash basis of accounting, which is a comprehensive basis of accounting other than accounting principles generally accepted in the United States of America. Under this basis of accounting, assets, liabilities, and related revenues and expenditures are recorded when they result from cash transactions, with a few exceptions. This modified cash basis recognizes revenues when received and expenditures when paid. Notes receivable are recognized on the Statement of Net Assets, but notes receivable are not included and recognized on the Balance Sheet - Governmental Funds. Property tax receivables, accounts payable, compensated absences, and donated assets, among other items, are not reflected in the financial statements.

Encumbrances lapse at year-end and are not reflected on the Statement of Net Assets and Statement of Activities; however encumbrances are reflected on the Balance Sheet - Governmental Funds as part of the fund balance (Reserved for Encumbrances).

The State Local Finance Officer does not require the county to report capital assets and infrastructure; however the value of these assets is included in the Statement of Net Assets and the corresponding depreciation expense is included on the Statement of Activities.

B. Reporting Entity

The financial statements of Harrison County include the funds, agencies, boards, and entities for which the Fiscal Court is financially accountable. Financial accountability, as defined by Section 2100 of the Governmental Accounting Standards Board (GASB) Codification of Governmental Accounting and Financial Reporting Standards, as amended by GASB 14 and GASB 39, was determined on the basis of the government's ability to significantly influence operations, select the governing authority, participate in fiscal management and the scope of public service. Consequently, the reporting entity includes organizations that are legally separate from the primary government. Legally separate organizations are reported as component units if either the county is financially accountable or the organization's exclusion would cause the county's financial statements to be misleading or incomplete. Component units may be blended or discretely presented. Blended component units either provide their services exclusively or almost entirely to the primary government, or their governing bodies are substantively the same as the primary government. All other component units are discretely presented. The County has no discretely presented component units.

Blended Component Unit

The following legally separate organization provides its services exclusively to the primary government, and the Fiscal Court is able to impose its will on this organization. This organization's balances and transactions are reported as though they are part of the county's primary government using the blending method.

HARRISON COUNTY
NOTES TO FINANCIAL STATEMENTS
June 30, 2009
(Continued)

Note 1. Summary of Significant Accounting Policies (Continued)

Harrison County Public Properties Corporation:

The Harrison County Public Properties Corporation cannot be sued in its own name without recourse to the Harrison County Fiscal Court, who appoints a voting majority consisting of the Fiscal Court members and the County Attorney. The Fiscal Court is able to impose its will on the Corporation. The Corporation is created solely for the benefit of the Fiscal Court per KRS 58.180 to act as the agency in the acquisition and financing of any public project. The Fiscal Court has access to the Corporation's resources, is legally obligated to finance the debts of or provide financial support to the Corporation. The Corporation is financially accountable to the Fiscal Court. This component unit is blended within the financial statements of the county.

C. Harrison County Elected Officials

Kentucky law provides for election of the officials below from the geographic area constituting Harrison County. Pursuant to state statute, these officials perform various services for the Commonwealth of Kentucky, its judicial courts, the Fiscal Court, various cities and special districts within the county, and the board of education. In exercising these responsibilities, however, they are required to comply with state laws. Audits of their financial statements are issued separately and individually and can be obtained from their respective administrative offices.

- Circuit Court Clerk
- County Attorney
- Property Valuation Administrator
- County Clerk
- County Sheriff

D. Government-wide and Fund Financial Statements

The government-wide financial statements (i.e., the statement of net assets and the statement of activities) report information on all of the non-fiduciary activities of the primary government and its non-fiduciary component units. For the most part, the effect of interfund activities has been removed from these statements. Governmental activities, which normally are supported by taxes and intergovernmental revenues, are reported separately from business-type activities, which rely to a significant extent on sales, fees, and charges for support. Business-type revenues come mostly from fees charged to external parties for goods or services. Fiduciary funds are not included in these financial statements due to the unavailability of fiduciary funds to aid in the support of government programs. Harrison County has no business-type activities or fiduciary funds.

HARRISON COUNTY
NOTES TO FINANCIAL STATEMENTS
June 30, 2009
(Continued)

Note 1. Summary of Significant Accounting Policies (Continued)

D. Government-wide and Fund Financial Statements (Continued)

The statement of net assets presents the reporting entity's non-fiduciary assets and liabilities, the difference between the two being reported as net assets. Net assets are reported in three categories: 1) invested in capital assets, net of related debt - consisting of capital assets, net of accumulated depreciation and reduced by outstanding balances for debt related to the acquisition, construction, or improvement of those assets; 2) restricted net assets - resulting from constraints placed on net assets by creditors, grantors, contributors, and other external parties, including those constraints imposed by law through constitutional provisions or enabling legislation; and 3) unrestricted net assets - those assets that do not meet the definition of restricted net assets or invested in capital assets.

The statement of activities demonstrates the degree to which the direct expenses of a given function are offset by program revenues. Direct expenses are those that are clearly identifiable with a specific function. Program revenues include: 1) charges to customers or applicants who purchase, use, or directly benefit from goods, services, or privileges provided by a given function; 2) operating grants and contributions; and 3) capital grants and contributions that are restricted to meeting the operational or capital requirements of a particular function. Internally dedicated resources such as taxes and unrestricted state funds are reported as general revenues.

Generally and except as otherwise provided by law, property taxes are assessed as of January 1, levied (Mailed) November 1, due at discount November 30, due at face value December 31, delinquent January 1 following the assessment, and subject to lien and sale the 3rd Saturday in April following the delinquency date.

Funds are characterized as either major or non-major. Major funds are those whose assets, liabilities, revenues, or expenditures/expenses are at least ten percent of the corresponding total (assets, liabilities, etc.) for all funds or type (governmental or proprietary) and whose total assets, liabilities, revenues, or expenditures/expenses are at least five percent of the corresponding total for all governmental and enterprise funds combined. The Fiscal Court may also designate any fund as major.

Separate financial statements are provided for governmental funds. Major individual governmental funds are reported as separate columns in the financial statements. Harrison County does not have any proprietary or fiduciary funds.

Governmental Funds

The primary government reports the following major governmental funds:

General Fund - This is the primary operating fund of the Fiscal Court. It accounts for all financial resources of the general government, except where the Department for Local Government requires a separate fund or where management requires that a separate fund be used for some function.

Road Fund - This fund is for road and bridge construction and repair. The primary source of revenue for this fund is state payments for truck license distribution, municipal road aid, and transportation grants. The Department for Local Government requires the Fiscal Court to maintain these receipts and expenditures separately from the General Fund.

HARRISON COUNTY
NOTES TO FINANCIAL STATEMENTS
June 30, 2009
(Continued)

Note 1. Summary of Significant Accounting Policies (Continued)

D. Government-wide and Fund Financial Statements (Continued)

Governmental Funds (Continued)

Jail Fund - The primary purpose of this fund is to account for the jail expenses of the county. The primary sources of revenue for this fund are reimbursements from the state and federal government, payments from other counties for housing prisoners, and transfers from the General Fund. The Department for Local Government requires the Fiscal Court to maintain these receipts and expenditures separately from the General Fund.

Local Government Economic Assistance Fund - The purpose of this fund is to account for revenues and expenditures under the Local Government Economic Assistance Program.

Federal Grants Fund - The purpose of this fund is to account for federal grant funds received and expended.

E-911 Fund - The purpose of this fund is to account for revenues and expenditures of the E-911.

Shropshire Fund - The purpose of this fund is to account for the revenues and expenditures of the Shropshire Animal Shelter.

Public Properties Corporation Fund - This fund accounts for the activities of the Public Properties Corporation, a blended component unit of the county. The Public Properties Corporation issued debt to build a justice center. The Public Properties Corporation entered into a contract, lease, and option with the County and Administrative Office of The Courts (AOC), Commonwealth of Kentucky. The Department for Local Government does not require the Fiscal Court to report or budget these funds.

The primary government designated all its funds as major funds; therefore there are no non-major funds.

E. Deposits and Investments

The government's cash and cash equivalents are considered to be cash on hand, demand deposits, certificates of deposit, and short-term investments with original maturities of three months or less from the date of acquisition.

KRS 66.480 authorizes the county to invest in the following, including but not limited to, obligations of the United States and of its agencies and instrumentalities, obligations and contracts for future delivery or purchase of obligations backed by the full faith and credit of the United States, obligations of any corporation of the United States government, bonds or certificates of indebtedness of this state, and certificates of deposit issued by or other interest-bearing accounts of any bank or savings and loan institution which are insured by the Federal Deposit Insurance Corporation (FDIC) or which are collateralized, to the extent uninsured, by any obligation permitted by KRS 41.240(4).

F. Capital Assets

Capital assets, which include land, land improvements, buildings, furniture and office equipment, building improvements, machinery, equipment, and infrastructure assets (roads and bridges) that have a useful life of more than one reporting period based on the government's capitalization policy, are reported in the governmental activities of the government-wide financial statements. Such assets are recorded at historical cost or estimated historical cost when purchased or constructed.

HARRISON COUNTY
NOTES TO FINANCIAL STATEMENTS
June 30, 2009
(Continued)

Note 1. Summary of Significant Accounting Policies (Continued)

F. Capital Assets (Continued)

	Capitalization Threshold	Useful Life (Years)
Land Improvements	\$ 5,000	10-60
Buildings and Building Improvements	\$ 5,000	10-75
Machinery and Equipment	\$ 5,000	3-25
Vehicles	\$ 5,000	3-25
Infrastructure	\$ 5,000	10-50

Cost of normal maintenance and repairs that do not add to the value of the asset or materially extend the asset's life are not capitalized. Land and Construction In Progress are not depreciated. Interest incurred during construction is not capitalized. Capital assets and infrastructure are depreciated using the straight-line method of depreciation over the estimated useful life of the asset.

G. Long-term Obligations

In the government-wide financial statements, long-term debt and other long-term obligations are reported as liabilities in the applicable financial statements. The principal amount of bonds, notes and financing obligations are reported.

In the fund financial statements, governmental funds recognize bond interest, as well as bond issuance costs when received or when paid, during the current period. The principal amount of the debt and interest are reported as expenditures. Issuance costs, whether or not withheld from the actual debt proceeds received, are reported as expenditures. Debt proceeds are reported as other financing sources.

H. Fund Equity

In the fund financial statements, the difference between the assets and liabilities of governmental funds is reported as fund balance. Fund balance is divided into reserved and unreserved components, with unreserved considered available for new spending. Unreserved fund balances may be divided into designated and undesignated portions. Designations represent Fiscal Court's intended use of the resources and should reflect actual plans approved by the Fiscal Court.

Governmental funds report reservations of fund balance for amounts that are legally restricted by outside parties for use for a specific purpose, and encumbrances.

"Reserved for Encumbrances" are purchase orders that will be fulfilled in a subsequent fiscal period. Although the purchase order or contract creates a legal commitment, the Fiscal Court incurs no liability until performance has occurred on the part of the party with whom the Fiscal Court has entered into the arrangement. When a government intends to honor outstanding commitments in subsequent periods, such amounts are encumbered. Encumbrances lapse at year-end and are not reflected on the Statement of Net Assets and Statement of Activities; however, encumbrances are reflected on the Balance Sheet - Governmental Funds as part of the fund balance.

HARRISON COUNTY
NOTES TO FINANCIAL STATEMENTS
June 30, 2009
(Continued)

Note 1. Summary of Significant Accounting Policies (Continued)

I. Budgetary Information

Annual budgets are adopted on a cash basis of accounting and according to the laws of Kentucky as required by the State Local Finance Officer. Formal budgets are not adopted, nor are they required by the State Local Finance Officer for the Public Properties Corporation Fund.

The County Judge/Executive is required to submit estimated receipts and proposed expenditures to the Fiscal Court by May 1 of each year. The budget is prepared by fund, function, and activity and is required to be adopted by the Fiscal Court by July 1.

The Fiscal Court may change the original budget by transferring appropriations at the activity level; however, the Fiscal Court may not increase the total budget without approval by the State Local Finance Officer. Expenditures may not exceed budgeted appropriations at the activity level.

J. Joint Ventures

A legal entity or other organization that results from a contractual agreement and that is owned, operated, or governed by two or more participants as a separate activity subject to joint control, in which the participants retain (a) an ongoing financial interest or (b) an ongoing financial responsibility is a joint venture. Based upon these criteria, the following are considered joint ventures of the Harrison County Fiscal Court: Cynthiana/Harrison County Public Properties Corporation, Cynthiana/Harrison County Industrial Authority, and Cynthiana/Berry/Harrison County E-911.

Note 2. Deposits

The primary government and component unit maintained deposits of public funds with depository institutions insured by the Federal Deposit Insurance Corporation (FDIC) as required by KRS 66.480(1)(d). According to KRS 41.240(4), the depository institution should pledge or provide sufficient collateral which, together with FDIC insurance, equals or exceeds the amount of public funds on deposit at all times. In order to be valid against the FDIC in the event of failure or insolvency of the depository institution, this pledge or provision of collateral should be evidenced by an agreement between the county and the depository institution, signed by both parties, that is (a) in writing, (b) approved by the board of directors of the depository institution or its loan committee, which approval must be reflected in the minutes of the board or committee, and (c) an official record of the depository institution.

Custodial Credit Risk - Deposits

Custodial credit risk is the risk that in the event of a depository institution failure, the government's deposits may not be returned. The government does not have a deposit policy for custodial credit risk but rather follows the requirements of KRS 41.240(4). As of June 30, 2009, all deposits were covered by FDIC insurance or a properly executed collateral security agreement.

HARRISON COUNTY
NOTES TO FINANCIAL STATEMENTS
June 30, 2009
(Continued)

Note 3. Capital Assets

Capital asset activity for the year ended June 30, 2009 was as follows:

	Reporting Entity			
	Beginning Balance	Increases	Decreases	Ending Balance
Primary Government:				
<u>Governmental Activities:</u>				
Capital Assets Not Being Depreciated:				
Land and Land Improvements	\$ 488,500	\$	\$	\$ 488,500
Total Capital Assets Not Being Depreciated	488,500			488,500
Capital Assets, Being Depreciated:				
Buildings	6,341,625	7,470		6,349,095
Land Improvements	81,053	34,638		115,691
Other Equipment	914,268	166,743	(3,600)	1,077,411
Vehicles and Equipment	1,657,568		(15,000)	1,642,568
Infrastructure	15,981,981	1,272,845		17,254,826
Total Capital Assets Being Depreciated	24,976,495	1,481,696	(18,600)	26,439,591
Less Accumulated Depreciation For:				
Buildings	(696,549)	(93,479)		(790,028)
Land Improvements	(13,779)	(7,537)		(21,316)
Other Equipment	(461,732)	(59,931)	3,000	(518,663)
Vehicles and Equipment	(935,948)	(107,755)	14,000	(1,029,703)
Infrastructure	(9,125,095)	(698,862)		(9,823,957)
Total Accumulated Depreciation	(11,233,103)	(967,564)	17,000	(12,183,667)
Total Capital Assets, Being Depreciated, Net	13,743,392	514,132	(1,600)	14,255,924
Governmental Activities Capital Assets, Net	\$ 14,231,892	\$ 514,132	\$ (1,600)	\$ 14,744,424

Depreciation expense was charged to functions of the primary government as follows:

Governmental Activities:	
General Government	\$ 109,653
Protection to Persons and Property	72,664
General Health and Sanitation	1,535
Recreation and Culture	15,621
Roads, Including Depreciation of General Infrastructure Assets	<u>768,091</u>
Total Depreciation Expense - Governmental Activities	<u>\$ 967,564</u>

HARRISON COUNTY
NOTES TO FINANCIAL STATEMENTS
June 30, 2009
(Continued)

Note 4. Long-term Debt

A. First Mortgage Revenue Bonds, Series 2001

On February 7, 2001, the Harrison County Public Properties Corporation issued \$6,075,000 in First Mortgage Revenue Bonds, Series 2001, for the purpose of constructing a Justice Center. The bond issue covers a twenty-year period with an annual principal payment due each March 1, beginning March 1, 2003. Interest is payable semi-annually each September 1 and March 1, beginning September 1, 2001. The County subsequently entered into a sub-lease agreement with the Administrative Office of the Courts in order to provide funding to meet annual debt service requirements. The total principal balance outstanding was \$4,530,000 as of June 30, 2009.

Fiscal Year Ended June 30	Governmental Activities	
	Scheduled Interest	Scheduled Principal
2010	\$ 209,737	\$ 260,000
2011	198,687	275,000
2012	186,725	285,000
2013	174,185	300,000
2014	160,835	315,000
2015-2019	567,652	1,790,000
2020-2022	125,162	1,305,000
Totals	<u>\$ 1,622,983</u>	<u>\$ 4,530,000</u>

B. Financing Obligations, Capital Lease (Community Service Building Renovation), and Note Receivable

On December 17, 2002, the County entered into a ten-year lease agreement with Kentucky Association of Counties Leasing Trust, in the amount of \$127,396, for the renovation of the Community Service Building. The lease agreement calls for yearly principal payments due in January of each year starting in January 2004 and monthly interest payments starting in February 2003. The County subsequently entered into a sub-lease agreement with the Community Action Council for Lexington-Fayette, Harrison, and Nicholas Counties, Inc., which pays the lease payments directly to Kentucky Association of Counties Leasing Trust. The total lease principal balance outstanding was \$55,513 as of June 30, 2009. The total note receivable balance due the county as of June 30, 2009, was also \$55,513.

Fiscal Year Ended June 30	Governmental Activities	
	Scheduled Interest	Scheduled Principal
2010	\$ 2,192	\$ 13,269
2011	1,603	13,667
2012	996	14,077
2013	371	14,500
Totals	<u>\$ 5,162</u>	<u>\$ 55,513</u>

HARRISON COUNTY
NOTES TO FINANCIAL STATEMENTS
June 30, 2009
(Continued)

Note 4. Long-term Debt (Continued)

C. Financing Obligations, Capital Lease (Senior Citizens Center Vehicle), and Note Receivable

On April 7, 2009, Harrison County Fiscal Court entered into a lease agreement with the Kentucky Association of Counties Leasing Trust Program (KACoLT), in the amount of \$23,000, for the purchase of a vehicle for the Harrison County Senior Citizens Center. The agreement requires monthly payments of varying amounts with an interest rate of 3.00%. The Senior Citizens Center is currently making the monthly payments to KACoLT. The lease is to be paid in full on March 20, 2014.

Fiscal Year Ended June 30	Governmental Activities	
	Scheduled Interest	Scheduled Principal
2010	\$ 1,041	\$ 4,244
2011	861	4,439
2012	673	4,642
2013	476	4,856
2014	222	3,788
Totals	<u>\$ 3,273</u>	<u>\$ 21,969</u>

D. Financing Obligations, Mack Trucks

On November 24, 2008, Harrison County Fiscal Court entered into a lease agreement with the Kentucky Association of Counties Leasing Trust Program (KACoLT), in the amount of \$208,360, for the purchase of two (2) Mack Trucks. A principal reduction payment of \$2,390 in December 2008 reduced the outstanding principal on the agreement, as of June 30, 2009, to \$205,970. The agreement requires monthly interest payments of varying amounts at the rate of 3.795%, with principal payments due November 20, 2011 and November 20, 2012, in the amounts of \$100,000 and \$105,970, respectively. The lease is to be paid in full on November 20, 2012.

Fiscal Year Ended June 30	Governmental Activities	
	Scheduled Interest	Scheduled Principal
2010	\$ 7,939	\$
2011	8,592	
2012	6,241	100,000
2013	1,903	105,970
Totals	<u>\$ 24,675</u>	<u>\$ 205,970</u>

HARRISON COUNTY
NOTES TO FINANCIAL STATEMENTS
June 30, 2009
(Continued)

Note 4. Long-term Debt (Continued)

E. Changes In Long-term Liabilities

Long-term liability activity for the year ended June 30, 2009, was as follows:

	Beginning Balance	Additions	Reductions	Ending Balance	Due Within One Year
Primary Government:					
<u>Governmental Activities:</u>					
Revenue Bonds	\$ 4,780,000	\$	\$ 250,000	\$ 4,530,000	\$ 260,000
Financing Obligations	68,396	231,360	16,304	283,452	17,513
Governmental Activities					
Long-term Liabilities	<u>\$ 4,848,396</u>	<u>\$ 231,360</u>	<u>\$ 266,304</u>	<u>\$ 4,813,452</u>	<u>\$ 277,513</u>

Note 5. Related Party Transaction

Magistrate Brad Marshall's son owns Marshall's Tractor Parts, located in Cynthiana, Kentucky. The fiscal court occasionally purchases tractor parts from them. The total spent during fiscal year 2009 was \$2,478.

Note 6. Commitments and Contingencies

A. Cynthiana/Harrison County Public Properties Corporation

In June 1995, the Harrison County Fiscal Court (County) and the City of Cynthiana (City) formed the Cynthiana/Harrison County Public Properties Corporation (Corporation) for the acquisition and financing of the Cynthiana/Harrison County Community Service Building project. Upon formation of the Corporation, individual and corporate donations were received and the City received a \$350,000 CDBG grant to construct the community service building. The donations and grant were expected to be approximately \$500,000 short of the anticipated construction costs. The Corporation executed a loan agreement with Farmers National Bank to draw up to \$499,000 in order to complete the project. The rent collected from several community service organizations is used to service the debt. The Corporation is managed by the City, and there has been no audit performed for the Corporation in the past six (6) years. Should the Corporation default on the loan at Farmers National Bank, the County could be responsible for one-half of the outstanding liabilities. As of June 30, 2009, the outstanding principal balance was \$388,762.

**HARRISON COUNTY
NOTES TO FINANCIAL STATEMENTS
June 30, 2009
(Continued)**

Note 6. Commitments and Contingencies (Continued)

B. Cynthiana/Harrison County Industrial Authority

In January 1999, Harrison County Fiscal Court (the County) adopted a resolution, which obligates the county (in conjunction with the City of Cynthiana's matching offer) to cover fifty percent of any expenses "not covered from net sales proceeds of land by the Cynthiana/Harrison County Industrial Authority" (the Authority). This obligation was made in support of the Authority's project to develop an industrial park in Harrison County. In this resolution, the County also committed "the sum of two hundred fifty thousand (\$250,000) dollars" in order for the Authority to receive an additional one and one-half million (\$1,500,000) dollar federal grant. The County's commitment represents one-half of the matching funds needed (in conjunction with the City's matching offer) for the Authority to receive the additional funding. The Authority obtained an \$800,000 loan for the purchase of the land for the project. As of June 30, 2009, the outstanding principal balance on the loan was \$614,651. In the fiscal year ended June 30, 2009 the county paid the Authority \$28,350 for their share of the operating expenses of the Authority.

C. Cynthiana/Berry/Harrison County E-911

In April 1999, Harrison County Fiscal Court (the County) passed an ordinance for "the establishment of an Enhanced 911 Emergency Telephone Service within Cynthiana and Harrison County, Kentucky." An E-911 Advisory Board (the Board) was created with the City of Cynthiana (the City) and the County equally represented on the Board. The City and County subsequently entered into an interlocal agreement which states, in part, "The cost of the E-911 program shall be funded from the receipts from a telephone service surcharge, which has been levied by the County to be collected by the appropriate telephone operating company on each eligible business and residential telephone line operating within Harrison County. The County may fix or change the rate of the telephone surcharge to be applied, but it shall be sufficient to meet the budgetary requirements for the operation of the E-911 program. If at any time moneys collected from the telephone surcharge are insufficient to meet the needs and obligations of the Board for the operation of the E-911 program, the remaining costs shall be apportioned evenly (50/50) between the City and the County and immediately forwarded to the Harrison County Treasurer for use by the Board in the operation of the Center." The assessment fee during the year of audit was \$4.00 per month for each telephone line within the City and County, and during the fiscal year ended June 30, 2009; the County contributed \$71,687 toward the operating expenses of the E-911 program and the City contributed \$71,670.

Note 7. Deferred Compensation

Harrison County Fiscal Court allows all eligible employees to participate in deferred compensation plans administered by The Kentucky Public Employees' Deferred Compensation Authority. The Kentucky Public Employees' Deferred Compensation Authority is authorized under KRS 18A.230 to 18A.275 to provide administration of tax sheltered supplemental retirement plans for all state, public school and university employees and employees of local political subdivisions that have elected to participate.

These deferred compensation plans permit all full time employees to defer a portion of their salary until future years. The deferred compensation is not available to employees until termination, retirement, death, or unforeseeable emergency. Participation by eligible employees in the deferred compensation plans is voluntary.

HARRISON COUNTY
NOTES TO FINANCIAL STATEMENTS
June 30, 2009
(Continued)

Note 7. Deferred Compensation (Continued)

Historical trend information showing The Kentucky Public Employees' Deferred Compensation Authority's progress in accumulating sufficient assets to pay benefits when due is presented in The Kentucky Public Employees' Deferred Compensation Authority's annual financial report. This report may be obtained by writing Kentucky Public Employees' Deferred Compensation Authority at 101 Sea Hero Road, Suite 110, Frankfort, KY 40601-8862, or by telephone at (502) 573-7925.

Note 8. Employee Retirement System

The Fiscal Court has elected to participate in the County Employees Retirement System (CERS), pursuant to KRS 78.530 administered by the Board of Trustees of the Kentucky Retirement Systems. This is a cost sharing, multiple-employer, defined benefit pension plan, which covers all eligible full-time employees and provides for retirement, disability, and death benefits to plan members. Benefit contributions and provisions are established by statute. Non-hazardous covered employees are required to contribute 5 percent of their salary to the plan. The county's contribution rate for non-hazardous employees was 13.50 percent. Hazardous covered employees are required to contribute 8 percent of their salary to the plan. The county's contribution rate for hazardous employees was 29.50 percent.

Benefits fully vest on reaching five years of service for non-hazardous employees. Aspects of benefits for non-hazardous employees include retirement after 27 years of service or age 65. Aspects of benefits for hazardous employees include retirement after 20 years of service or age 55.

Historical trend information showing the CERS' progress in accumulating sufficient assets to pay benefits when due is presented in the Kentucky Retirement Systems' annual financial report. This report may be obtained by writing the Kentucky Retirement Systems, 1260 Louisville Road, Frankfort, Kentucky 40601-6124, or by telephone at (502) 564-4646.

Note 9. Insurance

For the fiscal year ended June 30, 2009, Harrison County was a member of the Kentucky Association of Counties' All Lines Fund (KALF). KALF is a self-insurance fund and was organized to obtain lower cost coverage for general liability, property damage, public officials' errors and omissions, public liability, and other damages. The basic nature of a self-insurance program is that of a collectively shared risk by its members. If losses incurred for covered claims exceed the resources contributed by the members, the members are responsible for payment of the excess losses.

Note 10. Estimated Infrastructure Historical Cost

Historical cost of infrastructure placed in service prior to the fiscal year ended June 30, 2004 (year of GASB 34 implementation) is an estimate. For those assets, the primary government estimated the year infrastructure was built by determining when a major construction or reconstruction had been done on infrastructure. This estimate was used to calculate the infrastructure historical cost by determining current year construction cost and deflating it back to the estimated year of construction or reconstruction. Estimated infrastructure historical cost includes infrastructure placed in service from fiscal year 1984 through fiscal year June 30, 2003. All infrastructure assets placed in service during the fiscal year ended June 30, 2004, and thereafter are recorded at actual historical cost.

HARRISON COUNTY
BUDGETARY COMPARISON SCHEDULES
Required Supplementary Information - Modified Cash Basis
For The Year Ended June 30, 2009

HARRISON COUNTY
BUDGETARY COMPARISON SCHEDULES
Required Supplementary Information - Modified Cash Basis

For The Year Ended June 30, 2009

	GENERAL FUND			
	Budgeted Amounts		Actual Amounts, (Budgetary Basis)	Variance with Final Budget Positive (Negative)
	Original	Final		
REVENUES				
Taxes	\$ 3,482,000	\$ 3,482,000	\$ 3,797,334	\$ 315,334
In Lieu Tax Payments	4,100	4,100	3,768	(332)
Excess Fees	41,151	41,151	66,286	25,135
Licenses and Permits	17,000	17,000	12,250	(4,750)
Intergovernmental Revenue	1,127,105	1,127,105	369,828	(757,277)
Miscellaneous	221,000	221,000	80,755	(140,245)
Interest	24,100	24,100	34,095	9,995
Total Revenues	<u>4,916,456</u>	<u>4,916,456</u>	<u>4,364,316</u>	<u>(552,140)</u>
EXPENDITURES				
General Government	2,006,400	2,101,862	1,223,834	878,028
Protection to Persons and Property	338,043	357,911	304,073	53,838
General Health and Sanitation	383,920	403,692	297,788	105,904
Social Services	152,153	157,273	98,376	58,897
Recreation and Culture	312,630	335,130	156,643	178,487
Airports	10,000	10,000	10,000	
Bus Services	15,001	15,001	11,707	3,294
Other Transportation Facilities and Services	52,000	52,000	2,000	50,000
Capital Projects	65,000	65,000	10,453	54,547
Administration	993,504	701,058	605,146	95,912
Total Expenditures	<u>4,328,651</u>	<u>4,198,927</u>	<u>2,720,020</u>	<u>1,478,907</u>
Excess (Deficiency) of Revenues Over Expenditures Before Other Financing Sources (Uses)	<u>587,805</u>	<u>717,529</u>	<u>1,644,296</u>	<u>926,767</u>
OTHER FINANCING SOURCES (USES)				
Transfers From Other Funds			18,815	18,815
Transfers To Other Funds	(1,594,016)	(1,594,016)	(1,531,687)	62,329
Total Other Financing Sources (Uses)	<u>(1,594,016)</u>	<u>(1,594,016)</u>	<u>(1,512,872)</u>	<u>81,144</u>
Net Changes in Fund Balance	(1,006,211)	(876,487)	131,424	1,007,911
Fund Balance - Beginning	<u>1,006,211</u>	<u>1,006,211</u>	<u>1,446,598</u>	<u>440,387</u>
Fund Balance - Ending	<u>\$ 0</u>	<u>\$ 129,724</u>	<u>\$ 1,578,022</u>	<u>\$ 1,448,298</u>

HARRISON COUNTY
BUDGETARY COMPARISON SCHEDULES
Required Supplementary Information - Modified Cash Basis
For The Year Ended June 30, 2009
(Continued)

	ROAD FUND			
	Budgeted Amounts		Actual	Variance with
	Original	Final	Amounts,	Final Budget
			(Budgetary	Positive
			Basis)	(Negative)
REVENUES				
Intergovernmental Revenue	\$ 1,082,314	\$ 1,082,314	\$ 1,111,472	\$ 29,158
Miscellaneous	21,000	21,000	47,729	26,729
Interest	1,500	1,500	1,760	260
Total Revenues	1,104,814	1,104,814	1,160,961	56,147
EXPENDITURES				
Roads	1,775,001	1,818,389	1,769,437	48,952
Capital Projects	140,000	267,700	264,932	2,768
Administration	381,942	280,578	269,589	10,989
Total Expenditures	2,296,943	2,366,667	2,303,958	62,709
Excess (Deficiency) of Revenues Over Expenditures Before Other Financing Sources (Uses)	(1,192,129)	(1,261,853)	(1,142,997)	118,856
OTHER FINANCING SOURCES (USES)				
Transfers From Other Funds	1,037,129	1,037,129	1,171,315	134,186
Total Other Financing Sources (Uses)	1,037,129	1,037,129	1,171,315	134,186
Net Changes in Fund Balance	(155,000)	(224,724)	28,318	253,042
Fund Balance - Beginning	155,000	155,000	23,215	(131,785)
Fund Balance - Ending	\$ 0	\$ (69,724)	\$ 51,533	\$ 121,257

HARRISON COUNTY
BUDGETARY COMPARISON SCHEDULES
Required Supplementary Information - Modified Cash Basis
For The Year Ended June 30, 2009
(Continued)

	JAIL FUND			
	Budgeted Amounts		Actual Amounts, (Budgetary Basis)	Variance with Final Budget Positive (Negative)
	Original	Final		
REVENUES				
Intergovernmental Revenue	\$ 87,200	\$ 87,200	\$ 94,889	\$ 7,689
Charges for Services	7,500	7,500	3,344	(4,156)
Miscellaneous	1,000	1,000	2,104	1,104
Total Revenues	95,700	95,700	100,337	4,637
EXPENDITURES				
Protection to Persons and Property	570,400	570,400	383,594	186,806
Administration	45,500	45,500	35,636	9,864
Total Expenditures	615,900	615,900	419,230	196,670
Excess (Deficiency) of Revenues Over Expenditures Before Other Financing Sources (Uses)	(520,200)	(520,200)	(318,893)	201,307
OTHER FINANCING SOURCES (USES)				
Transfers From Other Funds	485,200	485,200	320,000	(165,200)
Total Other Financing Sources (Uses)	485,200	485,200	320,000	(165,200)
Net Changes in Fund Balance	(35,000)	(35,000)	1,107	36,107
Fund Balance - Beginning	35,000	35,000	13,203	(21,797)
Fund Balance - Ending	\$ 0	\$ 0	\$ 14,310	\$ 14,310

HARRISON COUNTY
BUDGETARY COMPARISON SCHEDULES
Required Supplementary Information - Modified Cash Basis
For The Year Ended June 30, 2009
(Continued)

LOCAL GOVERNMENT ECONOMIC ASSISTANCE FUND

	<u>Budgeted Amounts</u>		Actual	Variance with
	<u>Original</u>	<u>Final</u>	Amounts, (Budgetary Basis)	Final Budget Positive (Negative)
REVENUES				
Intergovernmental Revenue	\$ 500	\$ 500	\$	\$ (500)
Total Revenues	<u>500</u>	<u>500</u>		<u>(500)</u>
EXPENDITURES				
Capital Projects	<u>516</u>	<u>516</u>		<u>516</u>
Total Expenditures	<u>516</u>	<u>516</u>		<u>516</u>
Excess (Deficiency) of Revenues Over Expenditures	<u>(16)</u>	<u>(16)</u>		<u>16</u>
Net Changes in Fund Balance	(16)	(16)		16
Fund Balance - Beginning	<u>16</u>	<u>16</u>	<u>16</u>	
Fund Balance - Ending	<u>\$ 0</u>	<u>\$ 0</u>	<u>\$ 16</u>	<u>\$ 16</u>

HARRISON COUNTY
BUDGETARY COMPARISON SCHEDULES
Required Supplementary Information - Modified Cash Basis
For The Year Ended June 30, 2009
(Continued)

	FEDERAL GRANTS FUND			
	Budgeted Amounts		Actual Amounts, (Budgetary Basis)	Variance with Final Budget Positive (Negative)
	Original	Final		
REVENUES				
Intergovernmental Revenue	\$ 859,410	\$ 859,410	\$ 71,272	\$ (788,138)
Total Revenues	859,410	859,410	71,272	(788,138)
EXPENDITURES				
General Government	99,410	99,410		99,410
Protection to Persons and Property	75,000	79,035	4,035	75,000
General Health and Sanitation		60,000	17,356	42,644
Recreation and Culture	200,000	200,000		200,000
Other Transportation Facilities and Services	475,000	475,000		475,000
Administration	15,000	10,965	645	10,320
Total Expenditures	864,410	924,410	22,036	902,374
Excess (Deficiency) of Revenues Over Expenditures Before Other Financing Sources (Uses)	(5,000)	(65,000)	49,236	114,236
OTHER FINANCING SOURCES (USES)				
Transfers From Other Funds				
Transfers To Other Funds			(50,130)	(50,130)
Total Other Financing Sources (Uses)			(50,130)	(50,130)
Net Changes in Fund Balance	(5,000)	(65,000)	(894)	64,106
Fund Balance - Beginning	5,000	5,000	21,961	16,961
Fund Balance - Ending	\$ 0	\$ (60,000)	\$ 21,067	\$ 81,067

HARRISON COUNTY
BUDGETARY COMPARISON SCHEDULES
Required Supplementary Information - Modified Cash Basis
For The Year Ended June 30, 2009
(Continued)

E-911 FUND				
	Budgeted Amounts		Actual Amounts, (Budgetary Basis)	Variance with Final Budget Positive (Negative)
	Original	Final		
REVENUES				
Taxes	\$ 288,000	\$ 288,000	\$ 328,107	\$ 40,107
Intergovernmental Revenue	85,000	85,000	115,777	30,777
Miscellaneous	72,687	72,687	66,560	(6,127)
Interest	1,000	1,000	1,907	907
Total Revenues	446,687	446,687	512,351	65,664
EXPENDITURES				
Protection to Persons and Property	583,374	588,374	519,127	69,247
Administration	5,000			
Total Expenditures	588,374	588,374	519,127	69,247
Excess (Deficiency) of Revenues Over Expenditures Before Other Financing Sources (Uses)	(141,687)	(141,687)	(6,776)	134,911
OTHER FINANCING SOURCES (USES)				
Transfers From Other Funds	71,687	71,687	71,687	
Total Other Financing Sources (Uses)	71,687	71,687	71,687	
Net Changes in Fund Balance	(70,000)	(70,000)	64,911	134,911
Fund Balance - Beginning	70,000	70,000	116,487	46,487
Fund Balance - Ending	\$ 0	\$ 0	\$ 181,398	\$ 181,398

HARRISON COUNTY
BUDGETARY COMPARISON SCHEDULES
Required Supplementary Information - Modified Cash Basis
For The Year Ended June 30, 2009
(Continued)

SHROPSHIRE FUND				
	Budgeted Amounts		Actual Amounts, (Budgetary Basis)	Variance with Final Budget Positive (Negative)
	Original	Final		
REVENUES				
Licenses and Permits	\$ 1,200	\$ 1,200	\$ 3,602	\$ 2,402
Intergovernmental Revenue	1,000	1,000	1,500	500
Charges for Services	8,000	8,000	13,664	5,664
Miscellaneous	1,000	1,000	825	(175)
Interest	8,500	8,500	9,727	1,227
Total Revenues	19,700	19,700	29,318	9,618
EXPENDITURES				
General Health and Sanitation	35,700	35,700	27,061	8,639
Total Expenditures	35,700	35,700	27,061	8,639
Excess (Deficiency) of Revenues Over Expenditures	(16,000)	(16,000)	2,257	18,257
Net Changes in Fund Balance	(16,000)	(16,000)	2,257	18,257
Fund Balance - Beginning	16,000	16,000	235,433	219,433
Fund Balance - Ending	\$ 0	\$ 0	\$ 237,690	\$ 237,690

HARRISON COUNTY
NOTES TO REQUIRED SUPPLEMENTARY INFORMATION

June 30, 2009

Note 1. Budgetary Information

Annual budgets are adopted on a cash basis of accounting and according to the laws of Kentucky as required by the State Local Finance Officer.

The County Judge/Executive is required to submit estimated receipts and proposed expenditures to the Fiscal Court by May 1 of each year. The budget is prepared by fund, function, and activity and is required to be adopted by the Fiscal Court by July 1.

The Fiscal Court may change the original budget by transferring appropriations at the activity level; however, the Fiscal Court may not increase the total budget without approval by the State Local Finance Officer. Expenditures may not exceed budgeted appropriations at the activity level.

Note 2. General Fund Reconciliation

Total Revenues - Budgetary Basis	\$ 4,364,316
Add: Contribution - Community Action Council	12,883
Add: Contribution - Senior Citizens Center	1,031
	<hr/>
Total Revenues - Modified Cash Basis	<u>\$ 4,378,230</u>
Total Expenditures - Budgetary Basis	\$ 2,720,020
Add: Vehicle Purchase - Senior Citizens Center	23,000
Add: Debt Service - Community Service Building Renovation	12,883
Add: Debt Service - Senior Citizens Center Vehicle	1,031
	<hr/>
Total Expenditures - Modified Cash Basis	<u>\$ 2,756,934</u>

Note 3. Road Fund Reconciliation

Total Expenditures - Budgetary Basis	\$ 2,303,958
Add: Expenditures - Assets Held For Resale	208,360
Total Expenditures - Modified Cash Basis	<hr/> <u>\$ 2,512,318</u>
Other Financing Sources (Uses)	\$ 1,171,315
Add: KACO Leasing Trust Proceeds	208,360
Total Other Financing Sources (Uses) - Modified Cash Basis	<hr/> <u>\$ 1,379,675</u>

**REPORT ON INTERNAL CONTROL OVER FINANCIAL REPORTING
AND ON COMPLIANCE AND OTHER MATTERS BASED ON AN AUDIT OF FINANCIAL
STATEMENTS PERFORMED IN ACCORDANCE WITH GOVERNMENT AUDITING STANDARDS**



CRIT LUALLEN
AUDITOR OF PUBLIC ACCOUNTS

The Honorable Alexander Barnett, Harrison County Judge/Executive
Members of the Harrison County Fiscal Court

**Report On Internal Control Over Financial Reporting
And On Compliance And Other Matters Based On An Audit Of Financial
Statements Performed In Accordance With Government Auditing Standards**

We have audited the financial statements of the governmental activities and each major fund of Harrison County, Kentucky as of and for the year ended June 30, 2009, which collectively comprise the County's basic financial statements, as listed in the table of contents, and have issued our report thereon dated March 31, 2010. Harrison County prepares its financial statements in accordance with the modified cash basis of accounting, which is a comprehensive basis of accounting other than generally accepted accounting principles. We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in Government Auditing Standards, issued by the Comptroller General of the United States.

Internal Control Over Financial Reporting

In planning and performing our audit, we considered Harrison County's internal control over financial reporting as a basis for designing our auditing procedures for the purpose of expressing our opinions on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of Harrison County's internal control over financial reporting. Accordingly, we do not express an opinion on the effectiveness of Harrison County's internal control over financial reporting.

A control deficiency exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent or detect misstatements on a timely basis. A significant deficiency is a control deficiency, or combination of control deficiencies, that adversely affects the entity's ability to initiate, authorize, record, process, or report financial data reliably in accordance with the modified cash basis of accounting such that there is more than a remote likelihood that a misstatement of the entity's financial statement that is more than inconsequential will not be prevented or detected by the entity's internal control.

A material weakness is a significant deficiency, or combination of significant deficiencies, that results in more than a remote likelihood that a material misstatement of the financial statement will not be prevented or detected by the entity's internal control.

Our consideration of internal control over financial reporting was for the limited purpose described in the first paragraph of this section and would not necessarily identify all deficiencies in internal control that might be significant deficiencies or material weaknesses. We did not identify any deficiencies in internal control over financial reporting that we consider to be material weaknesses, as defined above.



Report On Internal Control Over Financial Reporting
And On Compliance And Other Matters Based On An Audit Of Financial
Statements Performed In Accordance With Government Auditing Standards
(Continued)

Compliance and Other Matters

As part of obtaining reasonable assurance about whether Harrison County's financial statements are free of material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements, noncompliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit, and accordingly, we do not express such an opinion. The results of our tests disclosed no instances of noncompliance or other matters that are required to be reported under Government Auditing Standards.

This report is intended solely for the information and use of management and the Department for Local Government and is not intended to be and should not be used by anyone other than these specified parties.

Respectfully submitted,

A handwritten signature in black ink, appearing to read "Crit Luallen", with a long horizontal flourish extending to the right.

Crit Luallen
Auditor of Public Accounts

March 31, 2010

